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SUBJECT Reorganization of the Hungarian Government.

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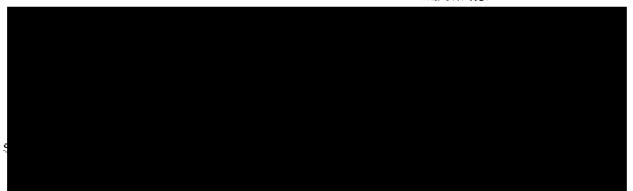
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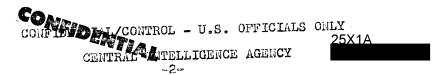


Functional alterations

- a. Ministry of Light Industry. Its real duty is to eliminate the small trade and the smaller enterprises of a capitalist nature.
- b. The Ministry of Agriculture was assigned the task of liquidating the farmers class and of gradually introducing collective farming. ERDET and the whole of his ministry are only puppets for this purpose. The newly established Economic Council, headed by CEROE, is actually directing all agricultural affairs.
- c. Ministry of Education and Religious Affairs. According to former plans this was to be dropped and ORTUTAY was to resign. However, it was the policy to leave the unpopular duty of solving the church proplem to CRTUTAY. The Ministry of People's Education directed by REVAI will be entirely responsible for all sorts of education. while this ministry is gradually taking over the duties of the ORTUTAY Ministry it is also functioning as a supervising authority.
- d. The Ministry of Inland Trade was assigned the duty of liquidating independent small trade. Chief of this ministry is again a "parade" minister, Jozsef BOGNAR.
- Composition of personnel at the new ministries
 - a. As a reward Sycer y MAROSAN has become a minister (of Light Industry). Neither his capabilities nor his technical knowledge fit him for such a position.
 - b. Istvan KOSSA's usefulness as a Minister of Finance is exhausted. His powers will be very limited for here, as well

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as in the Aconomic Council GEROF wil function as leader. It is also intended to leave the solution of financial masters more and more to MOSCOW.

- c. The way by which Oyula Chrethy succeeded in becoming a mether of the new government is typical of his character. Then he was supposed to be cropped he asked consideration to the fact that another action a pinst the church was to be carried out on a large scale and must, under no circumstances, he effected by a Marxist personality. Be, however, was willing to oring it to a successful and in accordance with Communist intentions. REVAI agreed to these considerations.
- d. Originally Kallay was supposed to become limister of People's Education and KEVAI Foreign Minister. The reason for a reverse distribution of duties was the fact that REVAI is considered a reliable boscow man and a reor anization of cultural life will be realized more or less independent of MOSCOL and thus a reliable person had to be entrusted with this task.
- e. Contrary to all expectations istvan RIFSZ, minister of Justice, retained his office.
- f. Milely ESOFILEC, the new Minister of Leavy Industry, is an old-time Communist. There are no records available on his technical knowledge.
- g. SEROM's new position is not surprising as he is, except for RowOS., the strongest can of the regime.